



Contact Us

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MEDIA RELEASE

- Home
- Board Information
- Alcohol Education
- Forms & Publications
- Tobacco Facts
- Stores and Products
- Contact Information
- Licenses & Permits
- Laws and Rules
- Enforcement

STATE LIQUOR STORES TO PURSUE NEW WINE STRATEGY FOCUSING ON CUSTOMER SERVICE, WASHINGTON WINES

April 15, 2004

Olympia – A new wine strategy proposed for Washington State Liquor Stores would create a more customer-friendly environment for wine shopping and strengthen the state's effort to boost the burgeoning Washington wine industry.

A Wine Strategy report presented April 13, 2004, to the Washington State Liquor Control Board calls for a six-phased effort to strengthen the merchandising of wine in state stores. Washington state stores sell 8.9 percent of the wine sold annually in the state, a market share that has not varied much in the last decade.

Among the strategies recommended are tightening the focus of inventory to highlight proven winners; continuing emphasis on Washington state wines; more attractive and informative in-store displays; and developing specialty outlets in new locations such as airports not currently being served by other retailers.

First and foremost, said Paul Gregutt, a Washington wine writer and market analyst who prepared the report, the state needs to send a clear, unambiguous message: "We are in the wine business."

The WSLCB's sale of wine not only contributes valuable revenue to state coffers, it also provides a much-needed lift to the state's \$3 billion wine industry, the report states. All but about 25 of the state's 300 wineries produce 5,000 or fewer cases annually. State stores provide an important distribution alternative for many of these wineries, offering "one-stop" distribution, a vital boost to new and often struggling businesses.

"The addition of such limited-production, fine wines to WSLCB offerings brings in a more sophisticated, more affluent consumer....and elevates the image of all the state stores," Gregutt said. The number of wineries in Washington has increased from 110 in 1997 to the current 300. More wineries are being opened each month.

State liquor stores regularly feature wines from 83 of the state's wineries. This does not count special orders. The state also supports Washington wineries by allowing them to market in other ways. For example, state wine producers are not required to sell their product through wholesalers at a 10 percent markup, as are national producers. This flexibility allows these small businesses access to a market increasingly dominated by large,

<http://www.liq.wa.gov/releases/pr040415.asp>

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CASE NO.	CV04-0360P
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national wineries.

Washington allows state wineries to sell wine:

- at their production facilities with no markup
- at up to two alternate state-approved locations (no markup)
- at approved farmers' markets (no markup)
- through distributors (subject to the 10 percent price markup required for wine and beer)

Steve Burns, executive director of the Washington Wine Commission, said other U.S. and Canadian control states and jurisdictions with thriving wine industries place a similar emphasis on promoting their local brands.

"We work with other wine and spirits monopolies in Pennsylvania, Canada and Scandinavia. All are very involved in supporting their local producers. It's more than appropriate for Washington's state stores to feature state wines – an obvious business for the liquor board," Burns said.

Burns and Gregutt both indicated Washington wines were approaching the 'tipping point,' a point at which consumers begin to identify strongly with a particular market segment. As the tipping point is reached, demand increases significantly. When this occurs consumers will begin seeing the state's wines featured more frequently in special sections of grocery stores and other major market venues.

David Adair, National Sales Manager of Hyatt Vineyards, said the state's support of Washington wine allows vintners just starting out – those producing 1,000 or 2,000 bottles annually – an alternative that would not exist if wine were not sold in state liquor stores.

"I'd hate to see the WSLCB get out of the wine business," Adair said. "State stores provide a much-needed alternative to the homogenization of shelf sets occurring in the major grocery chains. The WSLCB is a great friend to Washington wineries.

"Because so many of the state's wineries produce limited amounts, it has been difficult for them difficult to find a spot with wholesalers, said Gregutt. "They don't make enough quantity; they are not at the right price point; some combination of factors keeps them out. And there are a lot of good wines being produced by small vintners.

"The full text of the Wine Strategy report and an accompanying wine price survey are available.

For more information contact Public Information Officer Tricia Currier at (360) 664-1784 or page at (360) 290-3683.



For more information, please contact Tricia Currier.

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